

National Credit Union Administration

§ 703.90

ordinary care in protecting the securities held in safekeeping for its customers.

(b) You must obtain an individual confirmation statement for each investment purchased or sold.

(c) Any safekeeper you use must be regulated and supervised by either the Securities and Exchange Commission or a federal or state depository institution regulatory agency.

(d) You must obtain and reconcile monthly a statement of purchased investments and repurchase collateral held in safekeeping.

(e) All purchases and sales of investments must be delivery versus payment (*i.e.*, payment for an investment must occur simultaneously with its delivery).

[62 FR 33001, June 18, 1997, as amended at 62 FR 64147, Dec. 4, 1997]

§ 703.70 What must I do to monitor my non-security investments in banks, credit unions, and other depository institutions?

(a) At least quarterly you (a federal credit union) must prepare a written report listing all of your shares and deposits in banks, credit unions, and other depository institutions, that have one or more of the following features:

- (1) Embedded options;
- (2) Remaining maturities greater than 3 years; or
- (3) Coupon formulas that are related to more than one index or are inversely related to, or multiples of, an index.

(b) The requirement described in paragraph (a) of this section does not apply to your shares and deposits that are securities.

(c) Where you do not have an investment-related committee, each member of your board of directors must receive a copy of the report described in paragraph (a) of this section. Where you have an investment-related committee, each member of the committee must receive a copy of the report, and each member of the board must receive a summary of the information in the report.

§ 703.80 What must I do to value my securities?

(a) Prior to purchasing or selling a security, except for new issues purchased at par or at original issue discount, you (a federal credit union) must obtain, either:

- (1) Price quotations on the security from at least two broker-dealers; or
- (2) A price quotation on the security from an industry-recognized information provider.

(b) At least monthly, you must determine the fair value of each security you hold. You may determine fair value by obtaining a price quotation on the security from an industry-recognized information provider, a broker-dealer, or a safekeeper.

(c) At least annually, your supervisory committee (itself or through its external auditor) must independently assess the reliability of monthly price quotations you receive from a broker-dealer or safekeeper. Your supervisory committee (or external auditor) must follow Generally Accepted Auditing Standards, which require either recomputation or reference to market quotations.

(d) Where you are unable to obtain a price quotation required by this section for the precise security in question, you may obtain a quotation for a security with substantially similar characteristics.

[62 FR 33001, June 18, 1997, as amended at 62 FR 64147, Dec. 4, 1997]

§ 703.90 What must I do to monitor the risk of my securities?

(a) At least monthly, you (a federal credit union) must prepare a written report setting forth, for each security you hold, the fair value and dollar change since the prior month-end, with summary information for the entire portfolio.

(b) At least quarterly, you must prepare a written report setting forth the sum of the fair values of all fixed and variable rate securities you hold that have one or more of the following features:

- (1) Embedded options;
- (2) Remaining maturities greater than 3 years; or